

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2161 - HB 2602

February 14, 2016

SUMMARY OF BILL: Eliminates out-of-state tuition and fees at public community colleges beginning in FY16-17.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact -

\$4,191,100/TBR Community Colleges/FY16-17

Exceeds \$3,587,300/TBR Community Colleges/FY17-18 and Subsequent Years

Assumptions:

- Based on the information provided by the Tennessee Board of Regents (TBR), in FY15-16, \$9,566,463 was collected in revenue from out-of-state tuition and fees at community colleges from approximately 1,106 community college students.
- Revenue to TBR derived from out-of-state tuition and fees will be reduced as a result of this bill.
- Based on information from TBR, it is assumed that there will be a tuition increase of three percent per year in the absence of this bill.
- TBR indicates the current cost of in-state tuition and fees (for FY15-16) at a Tennessee community college is \$4,143. The rate for in-state tuition and fees for FY16-17 is estimated to be \$4,267 ($\$4,143 \times 103\%$); and for FY17-18 and subsequent years is estimated to exceed \$4,395 ($\$4,267 \times 103.0\%$).
- The revenue that would be received if all out-of-state students received the in-state tuition rate is estimated to be \$4,719,302 ($\$4,267 \times 1,106$) in FY16-17 and \$4,860,870 ($\$4,395 \times 1,106$) in FY17-18.
- The decrease in tuition and fee revenue to TBR community colleges is estimated to be \$5,134,155 [$(\$9,566,463 \times 1.03\%) - \$4,719,302$] in FY16-17; and is estimated to exceed \$5,288,191 [$(\$9,566,463 \times 1.03\% \times 1.03\%) - \$4,860,870$] in FY17-18 and subsequent years.
- New revenue will be collected as the result of additional out-of-state students enrolling in TBR institutions because they will be able to receive in-state tuition and fee rates.
- Based on information provided by TBR, it is estimated that out-of-state enrollment will increase by approximately 20 percent; which would equate to approximately 221 new additional community college students enrolling at TBR community colleges in FY16-17 who are domiciled outside of Tennessee. It is assumed that TBR community colleges

will have approximately 221 new students with each incoming class that it would not have in the absence of the bill.

- Seventy-five percent of the new first-year students will return in the second year; thus beginning in FY17-18, it is estimated that approximately 387 students [(221 new first year students + (221 x 75.0% of the second year students)] will be enrolled in a TBR community college that would not have enrolled in the absence of the bill. This number is assumed to remain constant in subsequent years.
- The increase in state revenue as a result of the additional new students enrolling at a TBR community college in FY16-17 is estimated to be \$943,007 (\$4,267 x 221).
- The increase in state revenue as a result of additional new students enrolling at a TBR community college in FY17-18 and subsequent years is estimated to exceed \$1,700,865 (\$4,395 x 387).
- The net decrease in state revenue to TBR community colleges in FY16-17 is estimated to be \$4,191,148 (\$5,134,155 - \$943,007).
- The net decrease in state revenue to TBR community colleges in FY17-18 and subsequent years is estimated to exceed \$3,587,326 (\$5,288,191 - \$1,700,865).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/rbp